

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Clio Area Library	County Genesee
Fiscal Year End 6/30/07	Opinion Date 8/24/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

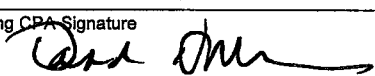
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran		Telephone Number 810-767-5350	
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
City Flint		State MI	Zip 48502
Authorizing CPA Signature 	Printed Name Tadd A. Harburn, CPA		License Number 1101014134

Financial Report
Clio Area Library
Genesee County, Michigan
June 30, 2007

**Clio Area Library
Financial Report
June 30, 2007**

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Introductory Section

Clio Area Library
List of Appointed Officials

Mike Zinn President

Suzanna Thomas Treasurer

Sandra Vuillemot Secretary

Ethel Howell

Sue Smith

Eileen Marshall

Financial Section



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Independent Auditor's Report

The Honorable Members of the
Clio Area Library Board of Trustees
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Clio Area Library (Library) as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express a opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Clio Area Library at June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 24, 2007

Management's Discussion and Analysis

**Clio Area Library
Management's Discussion and Analysis
June 30, 2007**

As management of Clio Area Library (Library), we offer readers of Clio Area Library's financial statements this narrative overview and analysis of the financial activities of the Clio Area Library.

The basic financial statements for the Clio Area Library are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenue, expenditures, and changes in fund balances statement of activities and notes to the financial statements.

The statement of net assets presents the information of the entity's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental funds financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of Library are \$260,231 of which \$73,608 represents cash and cash equivalent and investments and \$186,623 represent capital assets.

Net assets decreased \$7,285 for the Library as a result of \$52,558 in expenses which are offset by program revenues of \$40,349 and interest and dividends of \$4,924.

The Library as a Whole

The following table shows, in a condensed format, the net assets of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current assets	\$ 73,608	\$ 66,732
Noncurrent assets:		
Capital assets	<u>186,623</u>	<u>200,784</u>
Total assets	<u>260,231</u>	<u>267,516</u>
Current liabilities	-	-
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Invested in capital assets – net of related debt	186,623	200,784
Restricted	5,209	5,831
Unrestricted	<u>68,399</u>	<u>60,901</u>
Total net assets	<u>\$260,231</u>	<u>\$267,516</u>

Summary Condensed Income Statement

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenue:		
Program revenue:		
Operating grants and contributions	\$ 40,349	\$ 39,600
General revenue:		
Interest and dividends	4,924	3,665
Total revenue	<u>45,273</u>	<u>43,265</u>
Program expenses:		
Library	<u>52,558</u>	<u>51,248</u>
Total program expenses	<u>52,558</u>	<u>51,248</u>
Change in net assets	(7,285)	(7,983)
Net assets – beginning of year	<u>267,516</u>	<u>275,499</u>
Net assets – end of year	<u>\$260,231</u>	<u>\$267,516</u>

Governmental Activities

The Library's total governmental revenues increased by approximately \$2,008. The increase is primarily due to an increase in the amount of interest and dividends. Expenses increased \$1,310 during the year.

Capital Assets

At the end of 2007, the Library had invested \$186,623 in buildings and other capital assets. The capital assets and their calculated net cost comply with methods established by the Governmental Accounting Standards Board (GASB).

Debt

The Library does not have any long-term debt.

Contacting the Library's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vienna Township, 3400 West Vienna Road, Clio, Michigan 48420.

Basic Financial Statements

Government-wide Fund Financial Statements

Clio Area Library
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2007

	General Fund	Building Fund	Book Fund
Assets			
Cash and cash equivalents	\$ 41,736	\$ 2,959	\$ 704
Investments	-	13,000	10,000
Internal receivables	14,288	-	-
Capital assets:			
Not subject to depreciation	-	-	-
Depreciable (net of accumulated depreciation)	-	-	-
Total assets	\$ 56,024	\$ 15,959	\$ 10,704
Liabilities			
Internal payables	\$ -	\$ 14,288	\$ -
Fund Balances/Net Assets			
Fund balances:			
Reserved for book purchases	-	-	-
Unreserved	56,024	1,671	10,704
Total fund balances	56,024	1,671	10,704
Total liabilities and fund balances	\$ 56,024	\$ 15,959	\$ 10,704
Net assets:			
Invested in capital assets			
Restricted for:			
Book purchases			
Unrestricted			
Total net assets			

See notes to financial statements.

Nonmajor Governmental Fund				
Permanent Fund				
Mary J. Lee Book Fund	Total	Adjustments (Note IIA)	Statement of Net Assets	
\$ -	\$ 45,399	\$ -	\$ 45,399	
5,209	28,209	-	28,209	
-	14,288	(14,288)	-	
-	-	56,700	56,700	
-	-	129,923	129,923	
\$ 5,209	\$ 87,896	172,335	260,231	
\$ -	\$ 14,288	(14,288)	-	
5,209	5,209	(5,209)	-	
-	68,399	(68,399)	-	
5,209	73,608	(73,608)	-	
\$ 5,209	\$ 87,896			
		186,623	186,623	
		5,209	5,209	
		68,399	68,399	
		\$ 260,231	\$ 260,231	

**Clio Area Library
Statement of Activities and
Governmental Fund Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2007**

	General Fund	Building Fund	Book Fund
Expenditures/Expenses			
Library operations	\$ 36,397	\$ -	\$ -
Revenue			
Program revenues:			
Operating contributions - members	40,349	-	-
General revenue - interest, dividends, and miscellaneous	2,396	581	569
Total revenue	42,745	581	569
Excess (deficiency) of revenue over expenditures	6,348	581	569
Change in net assets	-	-	-
Fund Balance/Net Assets			
Beginning of the year	49,676	1,090	10,135
End of the year	\$ 56,024	\$ 1,671	\$ 10,704

See notes to financial statements.

Nonmajor Governmental Fund				
Permanent Fund				
Mary J. Lee Book Fund	Total	Adjustments (Note IIB)	Statement of Activities	
\$ 2,000	\$ 38,397	\$ 14,161	\$ 52,558	
-	40,349	-	40,349	
1,378	4,924	-	4,924	
1,378	45,273	-	45,273	
(622)	6,876	(6,876)	-	
-	-	(7,285)	(7,285)	
5,831	66,732	-	267,516	
\$ 5,209	\$ 73,608	\$ -	260,231	

See notes to financial statements.

Notes to Financial Statements

Clio Area Library
Notes to Financial Statements
June 30, 2007

I. Summary of significant accounting policies

The accounting policies of the Clio Area Library (Library) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Clio Area Library.

A. Reporting entity

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Clio Area Library provides facilities for library patrons; the books and all support personnel are provided by the Genesee Intermediate School District, and are not included in these financial statements.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and upon a favorable vote of the majority, will be released from the agreement.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although they can be legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Library currently does not have any component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Library currently does not have any business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, government contributions, and other items not properly included among program revenues are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if the funds exist. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library currently does not have any proprietary funds or fiduciary funds.

Clio Area Library
Notes to Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental contributions are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental contributions and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Fund is used to account for building maintenance costs.

The Book Fund is used to account for book purchases.

Additionally, the government reports the following fund type:

Permanent fund is used to report resources legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

Clio Area Library
Notes to Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition.

2. Investments

Investments for the Library are stated at fair value. Certificates of deposit with a maturity date of greater than 90 days at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Clio Area Library
Notes to Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets – (continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	5-39
Equipment and furniture	7

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Capital assets	<u>\$186,623</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$186,623</u></u>

Clio Area Library
Notes to Financial Statements
June 30, 2007

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 1,060
Depreciation expense	<u>(15,221)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 14,161</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgets are prepared for the general fund and special revenue funds on a total fund basis prior to June 30 and are presented to the participating municipalities for their approval. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are reported on the financial statements as originally adopted or as amended by the board. Appropriations lapse at the end of each year.

IV. Detailed notes on all funds

A. Deposits and investments

The Library's cash and cash equivalents consist of various interest-bearing savings and checking accounts.

At year end, the bank balance of the Library's deposits was \$8,715. Of the bank balance, 100% was covered by Federal Depository Insurance.

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 45,399
Investments	<u>28,209</u>
Total	<u>\$ 73,608</u>

Clio Area Library
Notes to Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposits)	\$ 31,399
Government and agency security mutual funds	5,209
Repurchase agreements (uninsured, unregistered U.S. securities maintained as collateral held in custodian's name)	<u>37,000</u>
	<u>\$ 73,608</u>

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Library Board has adopted the above as its investment policy and additionally approved the following as its authorized depository: National City Bank.

The Library's cash and investments are subject to certain types of risk, which are examined in more detail below:

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. gov. or agency bond or notes	\$ 37,000	Counterparty

The credit risk rating for the Government and agency security mutual funds is not available.

Clio Area Library
Notes to Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 56,700	\$ -	\$ -	\$ 56,700
Total capital assets, not being depreciated	56,700	-	-	56,700
Capital assets, being depreciated:				
Buildings and building improvements	411,249	1,060	-	412,309
Office equipment and furniture	5,291	-	-	5,291
Total capital assets being depreciated	416,540	1,060	-	417,600
Less accumulated depreciation for:				
Building and building improvements	(267,948)	(15,021)	-	(282,969)
Office equipment and furniture	(4,508)	(200)	-	(4,708)
Total accumulated depreciation	(272,456)	(15,221)	-	(287,677)
Total capital assets, being depreciated, net	144,084	(14,161)	-	129,923
Governmental activities capital assets, net	\$200,784	\$ (14,161)	\$ -0-	\$186,623

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government

\$ 15,221

Total depreciation expense - governmental activities

\$ 15,221

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Fund	<u>\$ 14,288</u>

The interfund balance is due to the General Fund purchasing doors for the Library.

Clio Area Library
Notes to Financial Statements
June 30, 2007

V. Other information

A. Related party transactions

The Library contracts with Vienna Library (one of its members) to provide accounting services to the Library. The total amount of the contract for the year ended June 30, 2007, was \$2,000.

B. Risk management and contingent liabilities

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplementary Information

**Clio Area Library
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Amended		Amended Budget
Revenue				
Intergovernmental:				
Charter Township of Vienna	\$ 26,671	\$ 26,671	\$ 26,671	\$ -
City of Clio	6,375	6,375	6,375	-
Thetford Township	7,303	7,303	7,303	-
Interest	1,000	1,000	2,396	1,396
Total revenue	41,349	41,349	42,745	1,396
Expenditures				
Current:				
Library operations:				
Utilities	15,700	15,700	15,396	304
Repairs and maintenance	7,000	7,000	4,228	2,772
Insurance	5,900	5,900	4,891	1,009
Audit and consulting	1,800	1,800	1,800	-
Custodial services	7,600	7,600	7,560	40
Office, postage, and miscellaneous	1,649	1,649	1,419	230
Grounds maintenance	1,300	1,300	43	1,257
Capital outlay	400	400	1,060	(660)
Total expenditures	41,349	41,349	36,397	4,952
Excess of revenue over expenditures	-	-	6,348	6,348
Fund Balances - Beginning of year	49,676	49,676	49,676	-
Fund Balances - End of year	\$ 49,676	\$ 49,676	\$ 56,024	\$ 6,348

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

**Clio Area Library
Building Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Interest	\$ 300	\$ 300	\$ 581	\$ 281
Expenditures				
Current:				
Library operations:				
Repairs and maintenance	300	300	-	300
Excess of revenue over expenditures	-	-	581	581
Fund Balance - Beginning of year	1,090	1,090	1,090	-
Fund Balance - End of year	\$ 1,090	\$ 1,090	\$ 1,671	\$ 581

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

**Clio Area Library
Book Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Amended		Amended Budget
Revenue				
Interest	\$ 100	\$ 100	\$ 563	\$ 463
Miscellaneous	-	-	6	6
Total revenue	100	100	569	469
Expenditures				
Book expense	100	100	-	100
Excess of revenue over expenditures	-	-	569	569
Fund Balance - Beginning of year	10,135	10,135	10,135	-
Fund Balance - End of year	\$ 10,135	\$ 10,135	\$ 10,704	\$ 569

Note:

The budget is adopted by fund total. The amounts shown above are in greater detail than the legally adopted budget and are presented for purpose of additional analysis only.

August 24, 2007

To the Honorable Members of the
Clio Area Library Board of Trustees
Genesee County, Michigan

Dear Clio Area Library Board of Trustees:

In planning and performing our audit of the financial statements of Clio Area Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Segregation Duties

Because of the small size of the Library staff, one person has complete responsibility for the processing of financial information. This arrangement causes a lack of what is termed segregation of duties. When segregation of duties is present in an internal control system, there are processes whereby the work of one individual is reviewed or checked by another. The following are some controls to achieve adequate segregation of duties:

- Do not permit any one employee to handle a transaction from beginning to end
- Separate cash handling from recordkeeping
- Separate the cash receipt function from the cash disbursement function

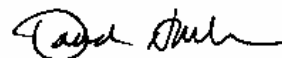
Because of the small size of the Library's accounting staff, it may not be practical or cost effective to put all or any of the above controls in place. We would recommend that the Library Treasurer receive the unopened bank statement and review the cancelled checks.

The significant deficiency identified above is also considered a material weakness.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", with a stylized flourish at the end.

Tadd A. Harburn, CPA